

GOVERNMENTAL OPERATIONS

Agency 102

Department of Financial Institutions

Recommendation Summary

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
2005-07 Expenditure Authority	174.3		38,836	38,836
Total Maintenance Level	178.3		39,411	39,411
Difference	4.0		575	575
Percent Change from Current Biennium	2.3%		1.5%	1.5%
Performance Changes				
Information Technology	1.0		2,926	2,926
Expanded Examinations to Protect Consumers	8.0		2,368	2,368
Expanded Enforcement Capacity	6.9		1,532	1,532
Expanded Oversight of Licensees	1.1		209	209
Improving Credit Union Information Systems Security	1.1		254	254
Revise Pension Gain-Sharing #			(88)	(88)
Nonrepresented Staff Health Benefit			149	149
Nonrepresented Staff Salary Change			2,055	2,055
Self Insurance Premium			150	150
Subtotal	18.1		9,555	9,555
Total Proposed Budget	196.4		48,966	48,966
Difference	22.1		10,130	10,130
Percent Change from Current Biennium	12.7%		26.1%	26.1%
Total Proposed Budget by Activity				
Agency Management and Administrative Services	8.6		2,345	2,345
Chartering, Licensing and Registration	32.3		7,791	7,791
Education and Public Outreach	3.0		817	817
Enforcement	49.0		12,106	12,106
Examinations	103.5		23,229	23,229
Other Statewide Adjustments			2,678	2,678
Total Proposed Budget	196.4		48,966	48,966

PERFORMANCE LEVEL CHANGE DESCRIPTIONS

Information Technology

The Department of Financial Institutions (DFI) will continue its efforts to develop a comprehensive regulatory database system. It will expand current imaging systems and continue the development and implementation of electronic workflow technology to improve business processes. One new FTE staff will be dedicated to the security of technology and information resources including DFI networks, systems, and data. (Financial Services Regulation Account-Nonappropriated)

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Expanded Examinations to Protect Consumers

The department has experienced an increased workload due to growth in the industries it regulates. Eight FTE staff are added, and DFI is given authorization to enter into personal service contracts to expand examination capacity for consumer loan companies, mortgage brokers, check cashers and sellers, escrow agents, and money transmitters and currency exchangers. (Financial Services Regulation Account-Nonappropriated)

Expanded Enforcement Capacity

The Consumer Services Unit is expanded to meet its new statutory duties to provide regulatory oversight of loan originator licensure and mortgage broker examinations, and to address increased fraud and criminal activity of sub-prime lending by mortgage brokers, payday lenders, escrow agents, and consumer loan companies. The addition of five financial legal examiners and one secretary will provide this increased capacity. (Financial Services Regulation Account-Nonappropriated)

Expanded Oversight of Licensees

The Division of Consumer Services regulates licensees, including mortgage brokers and loan originators, consumer loan companies, check cashers and sellers (payday lenders), money transmitters, and currency exchangers. It also registers tax refund anticipation loan facilitators. The size and number of branches operated by licensees continue to grow, resulting in additional complex inquiries and legal challenges. Adding a financial legal examiner will provide more timely and thorough responses regarding state licensure laws. This position also will help licensees with their annual assessments to ensure completeness, accuracy, and compliance with the law. (Financial Services Regulation Account-Nonappropriated)

Improving Credit Union Information Systems Security

An additional financial examiner will review electronic banking services provided by credit unions to help evaluate whether their system controls are adequate to protect confidential financial information. (Financial Services Regulation Account-Nonappropriated)

Self Insurance Premium

Funding for the Department's self insurance premium is increased to reflect claims experience. (Financial Services Regulation Account-Nonappropriated)

ACTIVITY DESCRIPTIONS

Agency Management and Administrative Services

The Division of Administration provides administrative and advisory services for the Department of Financial Institutions. These services include policy and legal advice, human resources, financial and budgeting functions.

Chartering, Licensing and Registration

The Department of Financial Institutions evaluates and approves new applications, mergers, conversions, branches, and corporate governance changes for banks and credit unions. The department also conducts licensing, registration, and exemption activities for financial entities, such as broker dealers, investment advisers, securities issuers, escrow officers, mortgage brokers, payday lenders, money transmitters, currency exchangers, and consumer loan companies.

Education and Public Outreach

The Department conducts education and outreach activities for consumers and stakeholders. Activities include presentations, town meetings, and press conferences addressing consumer and industry concerns; Internet-based information; and interactive programs.

Enforcement

The Department conducts various types of supervisory, surveillance, and enforcement activities to detect and take corrective action for violations of the regulatory and anti-fraud statutes applicable to financial institutions. Activities include processing complaints, doing investigations, and taking appropriate actions against banks, credit unions, and other financial entities. Additional enforcement functions include coordination and assistance to other law enforcement agencies and prosecutors and providing testimony in courts of law.

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Examinations

The department performs several types of examinations. The three primary examinations are compliance and for-cause examinations of financial entities; safety and soundness examinations of banks, credit unions, debenture companies, money transmitters, trust companies, Small Business Association (SBA) lenders, and industrial development corporations; and information system examinations of banks and credit unions.

Other Statewide Adjustments

This item reflects proposed compensation and other adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.